



APR - 5 2011

MEMORANDUM FOR: All HOME Participating Jurisdictions

FROM: Yolanda Chávez, Deputy Assistant Secretary
for Grant Programs, DG 

SUBJECT: Repayment of HOME Funds Used for Ineligible Activities or
Ineligible Costs and Return of HOME Funds to the Treasury
Account

This memo is intended to provide guidance regarding repayment of HOME funds expended for ineligible costs or activities and returning HOME funds drawn down in advance of or in excess of need.

The HOME regulations require that HOME funds disbursed for ineligible or incomplete projects are repaid to either the PJ's HOME Investment Trust Fund Treasury account or the HOME Investment Trust Fund local account, depending from which account the funds originated. The HOME regulations do not specifically allow for a voucher revision in IDIS in lieu of repayment to the applicable account.

Specifically, the HOME rule at 24 CFR 92.503(b) "Repayments" states:

1. *Any HOME funds invested in housing that does not meet the affordability requirements for the period specified in § 92.252 or § 92.254, as applicable, must be repaid by the participating jurisdiction in accordance with paragraph (b)(3) of this section.*
2. *Any HOME funds invested in a project that is terminated before completion, either voluntarily or otherwise, must be repaid by the participating jurisdiction in accordance with paragraph (b)(3) of this section except for repayments of project specific community housing development organization loans which are waived in accordance with §§ 92.301(a)(3) and 92.301(b)(3).*
3. *If the HOME funds were disbursed from the participating jurisdiction's HOME Investment Trust Fund Treasury account, they must be repaid to the Treasury account. If the HOME funds were disbursed from the participating jurisdiction's HOME Investment Trust Fund local account, they must be repaid to the local account....*

Instructions regarding repayment of funds to the HOME Investment Trust Fund Treasury account can be found in HOME *FACTS* Vol. 1, No. 1 (<http://www.hud.gov/offices/cpd/affordablehousing/library/homefacts/volumes/vol1no1.cfm>). After repayment is made, PJs must revise vouchers and activity funding to accurately represent eligible HOME commitments and disbursements for activities in IDIS. If the HOME activity was ineligible, the funds drawn for the project must be repaid and the activity must be cancelled in IDIS.

HOME regulations do not specifically permit PJs to revise vouchers in IDIS to transfer draws for ineligible HOME costs or activities to eligible HOME activities. If PJ drew the funds for an ineligible activity from its Treasury account, it must repay its Treasury account rather than its local account.

Beginning with fiscal year 2002 HOME grants, HOME funds expire eight years after the beginning of the federal fiscal year for which they were appropriated. PJs should be aware that repayments made to expired HOME grants will result in the immediate recapture of those funds by the U.S. Treasury and those funds will not be available to commit to eligible HOME activities.

The HOME regulations also require that HOME funds drawn down from the HOME Investment Trust Fund Treasury account in advance of need or in excess of need be returned to the Treasury account. Specifically, the HOME rule at 24 CFR 92.502(c)(2) states:

HOME funds drawn from the United States Treasury account must be expended for eligible costs within 15 days. Any interest earned within the 15 day period may be retained by the participating jurisdiction as HOME funds. Any funds that are drawn down and not expended for eligible costs within 15 days of the disbursement must be returned to HUD for deposit in the participating jurisdiction's United States Treasury account of the HOME Investment Trust Fund. Interest earned after 15 days belongs to the United States and must be remitted promptly, but at least quarterly, to HUD, except that a local participating jurisdiction may retain interest amounts up to \$100 per year for administrative expenses and States are subject to the Intergovernmental Cooperation Act (31 U.S.C. 6501 et seq.).

Once HOME funds drawn down from the HOME Investment Trust Fund Treasury account in advance of need or in excess of need are returned to the Treasury account, the PJ must revise applicable vouchers to accurately represent actual eligible HOME disbursements for activities in IDIS.

In order to avoid future monitoring or audit findings, it is important that PJs process HOME repayments and returned funds in accordance with the HOME regulations. If you have any questions regarding HOME repayments or returned funds, please contact the Office of Affordable Housing Programs at 202-708-2684 or OAHP@hud.gov.